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GARDNER, P. *A history of ancient coinage, 700-300 B.C.* (London: Milford. 18s.)

HARRIS, B. D. *Trade acceptance method in war financing.* (New York: National City Bank. 1918. Pp. 14.)

HOLLAND-MARTIN, R. *A comparative return of trade wages cheques paid by banks in England and Wales during the first nine months of war, 1914-15.* (London: Blades, East and Blades. 1917. Pp. 43.)

MACGREGOR, T. D. *The new business department. Its organization and operation in a modern bank.* (New York: Bankers Pub. Co. 1917. Pp. 94.)

Describes briefly methods of advertising and campaigns for new business.

PIERSON, L. E. *The trade acceptance nationally launched.* (New York: Irving National Bank. 1917. Pp. 25.)

SPALDING, W. F. *Eastern exchange, currency, and finance.* (New York: Pitman. 1917. Pp. 364. \$4.50.)

Advertising and service. The Shaw banking series. (New York: A. W. Shaw & Co. 1918. Pp. 312, xxii.)

Designed to assist banking institutions in enlarging their business. Contains chapters on planning advertising campaigns, preparation of mailing lists and letters, and special methods for securing accounts of women and children, foreigners, and farmers. Also the operation of thrift clubs is explained.

First annual report of the Scottish War Savings Committee. (London: Wyman. 1917. 2d.)

Monetary systems of principal countries of the world, 1916. Treasury Department document 2799. (Washington: Supt. Docs. 1917. Pp. 75. 10c.)

Practical questions and answers on the trade acceptance method. (New York: Irving National Bank. 1918. Pp. 21.)

Public Finance, Taxation, and Tariff

Income Tax Procedure, 1918. BY ROBERT H. MONTGOMERY. (New York: The Ronald Press Company. 1918. Pp. x, 800. \$4.00.)

The federal income tax and its companion the excess profits tax involve many ideas and lines of thought with which few among the American people are familiar. This unfamiliarity with the underlying ideas as to the nature of income and of income taxation causes much of the confusion which the taxpayer finds in his efforts to understand the new law. The reason for this ignorance is not far to seek. As a people we habitually think of a man's wealth in terms of capital (property) and not in terms of income. We have

had much practical experience in valuing property, little in rating income. That Congress and its advisors were equally unfamiliar with these ideas goes almost without saying. That a special effort was made to enlighten the ignorance of the taxpayer in the writing of the law is not yet credited. But a sympathetic reading of the law does reveal a commendable effort to explain these unfamiliar ideas. Yet in his impatience with the unfamiliar the taxpayer is over prone to criticise Congress, the tax law, and its administration. "The law is a mess," he says, "why didn't Congress make it simpler." It seldom occurs to him that his own ignorance and density may be at least one among the causes of his difficulties.

The eagerness of the taxpayers for light on the income tax has afforded an opportunity which has been seized upon by many writers. There are offered to the public many books and pamphlets on this subject. Among them are digests and tabular statements of the law circulated by the banks and by others; there are primers for the layman, now mostly superseded by the government primer; there are treatises for lawyers and handbooks for accountants. The changes in the laws made in 1916 and in 1917 have occasioned many new editions and supplements to these publications.

Among the best of the handbooks is the one before us. It is virtually a second edition of the same author's *Income Tax Procedure, 1917*. It is essentially a manual for the accountant.

Besides being a guidebook to the law the work has a thesis of its own. Interwoven with the practical instructions runs an argument for a different type of income tax. This proposed tax would be based on the accountant's concept of income as a fund accruing during a given period of time. The author takes every opportunity to criticise our basis of realized money income, whenever that basis fails to coincide with his own. He also argues strongly for heavier taxation of unearned incomes after the model of the British law. The tax on personal earnings under the excess profits tax affords him an excellent opportunity for this argument. In the opinion of the reviewer the author fails in this connection to give proper consideration to the very important fact that our state and local taxes fall very heavily on the sources of unearned income and, in fact, joined with the federal income tax work the very result for which he argues. This, however, does not excuse the extra taxation of earned income under the excess profits tax.

The author works his way systematically through the law fol-

lowing in the main the outlines of the law itself. He brings all the related matters together and shows clearly the interrelations of the different parts of the law. He has collated all the Treasury department rulings down to the date of the publication (January, 1918) and has put each in its proper place in connection with the part of the law to which it relates. A supplement bringing the rulings down to a later date still is promised to all purchasers of the book. To facilitate reference, so that a person looking up a single point only may find in one place all that bears on that point the author does not hesitate to repeat matters discussed in other places as well. The result is that the book is extremely useful for reference purposes. To that end it has a copious index of some 46 pages. The index is good, though occasionally the reviewer has not found the references he has sought under the captions that seemed most natural to him. Thus for example there is nothing under "exchange of property for stock," nor under "crops," "crop shares," nor is the last-mentioned to be found under "rent" or "landowner."

The work has been done with remarkable accuracy. Of out and out errors the reviewer has found but one. It is an error to say that a college professor may deduct the cost of books bought (p. 246). This statement as to accuracy excludes, of course, points on which there may be a difference of opinion. It also excludes matters slightly outside of the tax law on which the reviewer's experience is different from that of the author. Thus it is a little astonishing to be told that "the uniform practice is to charge off costs of organization as an expense of the business and such items should be an allowable deduction" (pp. 19, 20) from the year's income. That this is the practice is so far from being true according to the reviewer's experience that it seems that all conclusions based upon it must fall to the ground. Again the author insists on page 96) that in an "exchange of one security for another" "it is impossible that there should be a gain to each of two parties." An economist would ask why such an exchange took place at all if it were not to the advantage of both parties.

Of those almost unavoidable half-truths, where the writer, with his mind fixed on one point in one set of circumstances, forgets a possibly different application in some other connection, there are very few. One example of this is on page 60 where "living quarters" furnished "in addition to salary" are discussed. It is not made clear that these must be "in consideration of services." But

the omission is not serious, for the principle is made clear a few pages farther on. Again in the discussion of the rulings on exchange of one piece of property for another (pp. 86 to 101), the author has his mind centered on stock dealings and consequently his explanations are not so clear as are the Treasury rulings. (See Regulations 33, Revised, Articles 111, 116, 117, and 118.) There are so many passages in the law itself, and more in the rulings, couched in broad language, but predicated on one set of circumstances only that it would be asking too much to expect an author to think of all possible other bearings of his statements.

As has been stated, the general point of view is that of an accountant. It is that, too, of a very militant accountant, of one who lets it be known that he has been fighting hard to instil certain pet principles of accounting. Thus he urges that the Treasury department should so rule as to encourage inventories at low valuations. He says (p. 72), "Concerns which for many years have consistently valued their inventories at low prices should be permitted to continue to do so. Such practice is sound and conservative and deserves the support of the government." The reviewer is not convinced, for to him it appears that the truth in an inventory is more important than conservatism. In other places the author argues that the rulings do not allow a sufficient amount for depreciation. This runs all through chapter V. These rulings he says do not agree "with the opinion of the accounting profession" (p. 353). Still more illustrative of the accountant's point of view is his discussion of bad debts (ch. XIV). Here he urges that reserves for bad debts should be set up in advance and that such reserves should be allowed by the department as deductions, whenever books are kept on the accrual basis. It will be recalled that the law says that bad debts may be deducted when "actually ascertained to be worthless and charged off within the year." The author's argument is that it is proper to set up such reserves "to meet losses which have not fully materialized," but which "based upon experience will surely occur" (p. 337). Yet a loss that "has not fully materialized" no matter how sure to occur cannot be said to be "actually ascertained." Considering it further, would it be safe to encourage people whose books are not kept by skilled accountants to set up such reserves? In other places he urges that farmers should be induced by the income tax administration to keep books and set up inventories (p. 107). It is surprising to find that the British income tax practice under schedule B is cited as sustaining this point

when in fact it was devised for the very reason that the farmer did not keep books.

As stated above, the author has a very decided opinion as to what an income tax ought to be, and as this differs materially from that which ours is he has frequent occasions to quarrel with the law. These are his apparent delight for he rarely misses one. It should not be assumed, however, that this leads him to misguide the reader as to the provisions of the law, for those are always correctly stated. But much that he says is written in such a way as to tempt to litigation. He writes many an argument that the lawyer will be glad to incorporate into his brief in some case involving tax-dodging. In all of this he depends very much on British rulings. In the opinion of the reviewer he has not in this connection given due weight to the important fact that the British law, more particularly in schedules A and B and in parts of D, imposes a "property and income tax" and that the taxable income is an assessed income. The assessments under schedule A are not revised as a whole every year.

The presentation and exposition of the excess profits tax are excellent, and are the more remarkable in that they were written before all the rulings were available. One not over important slip has been noticed. That is on pages 616 and 617, in discussing that section of the law which defines as a "single business" "all the trades and businesses in which" a corporation "is engaged." Here the author wanders off into a discussion of the proper relations between corporations and their subsidiaries which while interesting and perhaps important is not relevant.

One fails to find in the book any discussion of the perplexing problems which confront the farmer under the income tax. In this respect the rulings of the Treasury are not adequate either. The author takes the "cityman's" view that the farmer is entitled to no consideration because he is not taxed on the value of the crops which he and his family consume (p. 104). Nothing whatever is said about the injustice of making the farmer pay on his expenses when for any reason he carries his crop over to the year after that in which it was raised.

The book is frequently marred by an impatient expression of criticism, both of the law and of the administration. The criticisms are hostile and expressed in language unrestrained and undignified. Some such expressions are: "The debates over the Federal Revenue Bill in the House of Representatives and the Senate

would reflect no credit on any preparatory school." "Why should tax-payers be lenient with legislators who will not take the trouble to inform themselves on a question which has been of the utmost importance for five years?" "The law is a mess." "Those ignorant of accounts (as is evidently the case with about 99 per cent of Congress) will never be able to improve on the measure." (All from the preface, p. iv.) "I propose to criticise all the rulings which I think are not in accord with the letter and intention of the law—and I shall continue these criticisms until the courts pass upon the points at issue." (Preface, p. vi.) Sometimes he sarcastically pokes fun at the department (p. 340 and pp. 34, 35) and sometimes is very unfair, as in the case cited above in connection with reserves for bad debts. Class prejudice shows in the following: "But it [100 per cent taxation of all liquid profits] does appeal to 'Wall Street,' where there is more patriotism and more voluntary man service than in any other part of the United States" (pp. 24, 25).

CARL C. PLEHN.

University of California.

Excess Condemnation. By ROBERT EUGENE CUSHMAN. National Municipal League Series. (New York: D. Appleton and Company. 1917. Pp. x, 323. \$2.00.)

It is strange and surprising that the present volume is the first one to deal with this very important subject, and it shows how far behind the development of the fact we often fall in the development of the various social sciences. Mr. Cushman comments on the widespread ignorance of the subject in these words:

There are several reasons why it is still perfectly respectable to be completely ignorant about excess condemnation even though it is almost one hundred years old. In the first place, the policy of government to which this not very illuminating title is applied is indigenous to European countries. Only in Great Britain, France and Belgium has it passed beyond the experimental stage. Then, too, the name "excess condemnation" is a fairly recent American term. The European, therefore, while he may be familiar with the policy itself, may not recognize it by its American name. And in the United States, not only are the term and the policy which it denotes of recent origin but also the attempts to employ excess condemnation, or even to legalize it, have been confined to relatively few places. Outside these places there is little interest in the scheme and little knowledge regarding it, save upon the part of a few city officials and city planning experts. It is only very slowly that the term "excess condemnation" is coming to convey even a vague idea to the layman.